

Message Text

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17

ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

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R 092152Z JUL 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 3902

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

C O N F I D E N T I A L SANTIAGO 4792

EO 11652: GDS

TAGS: ENRG, EMIN, CI

SUBJECT: LONG-AWAITED PETROLEUM RESOURCE LAW PUBLISHED

REF: SANTIAGO A-107

1. JULY 9 DIARIO OFICIAL PUBLISHES DECREE LAW 1089 WHICH
ALLOWS STATE PETROLEUM ENTERPRISE (ENAP) TO CONTRACT WITH
FOREIGN FIRMS FOR EXPLORATION AND EXPLOITATION OF PETROLEUM
RESOURCES IN DESIGNATED AREAS. THE 1950 LAW THAT CREATED ENAP
RESERVED THESE ACTIVITIES FOR ENAP.

2. RENUMBERATION WILL NORMALLY BE MADE IN LOCAL OR FOREIGN
CURRENCY BUT MINISTRY OF MINES MAY APPROVE PAYMENT IN THE
FORM OF PRODUCTION IN SPECIFIED CASES.

3. COMMENT: MANY U.S. FIRMS HAVE INVESTIGATED PETROLEUM FIELD
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DEVELOPMENT POSSIBILITIES IN CHILE SINCE SEPTEMBER 1973,

SPURRED AT LEAST IN PART BY GOC ORAL ASSURANCES THAT NEW, ATTRACTIVE PETROLEUM LAW IN THE OFFING. AT THE TIME OF THEIR VISITS SOME OF THESE INVESTIGATORS VOICED CONSIDERABLE DOUBT TO EMBASSY ABOUT GOC'S ABILITY TO ENCROACH ON ENAP'S BUREAUCRACY WHICH JEALOUSLY GUARDED THE MONOPOLY'S PRESERVE. THESE SUSPICIONS UNLIKELY TO BE DISSIPATED BY NEW LAW. INDUSTRY OBSERVERS HAVE ALWAYS EXPECTED THAT KNOW, ATTRACTIVE EXPLORATION/DEVELOPMENT AREAS WILL BE KEPT FOR ENAP'S SOLE EXPLOITATION, AND PROSPECTS FOR DINGING SIGNIFICANT RESERVES ELSEWHERE ARE UNCERTAIN AT BEST. FURTHERMORE, MOST FOREIGN PETROLEUM DEVELOPERS APPEAR INTERESTED IN PRODUCTION-SHARING ARRANGEMENTS, RELATIONSHIPS WHICH WILL NEED SPECIAL APPROVAL UNDER THE NEW LAW.

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